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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 002274

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NEA FOR FRONT OFFICE AND IPA, NSC FOR
ABRAMS/RAMCHAND/PASCUAL, TREASURY FOR AHERN/VINOGRAD

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TAGS: [ECON](#) [EFIN](#) [EAID](#) [KWBG](#) [PTER](#) [PGOV](#) [PINR](#) [IS](#) [QA](#)
SUBJECT: NEW "HAMAS BANK" TO OPEN IN GAZA DECEMBER 28

Classified By: Acting Principal Officer Greg Marchese, for reasons 1.4(b) and (d)

11. (C) Summary: Hamas has announced the "licensing" of a new bank, the Islamic National Bank (INB), in the Gaza Strip. Palestine Monetary Authority (PMA) Governor Jihad al-Wazir considers the bank an illegal entity, and said the PMA will launch a public campaign against it. He said Hamas is capitalizing on GOI restrictions on cash shipments to Gaza, which have crippled legitimate Palestinian banks, by announcing the INB will be free from Israeli authority and able to provide cash to customers on demand. End summary.

Enter the INB

12. (C) PMA Governor al-Wazir told Treasury attache December 18 that Hamas has registered the "Islamic National Bank" as a public stock company at the Gaza Companies Registry Authority, in contravention of Palestinian Authority (PA) regulations (which obligate Palestinian banks to register with the PMA as bank holding companies.) He said INB is preparing a public stock issuance, to be announced in Hamas newspapers in the coming days. The bank reportedly has USD 20 million in capital, and plans to become operational on December 28. Press reports name Ala'a al-Rafati as the INB chairman. Al-Rafati told the press INB is being established largely to deal with the shortage of cash in banks in Gaza.

PMA response

13. (C) The PMA plans to issue bank circulars and public announcements to direct banks and the general public not to do business with INB. Al-Wazir said his primary concern is to prevent INB from gaining access to the international financial system through the establishment of correspondent banking services with a regional bank. (Note: A correspondent banking relationship would transform the "bank" from being little more than a local money-changer to a more serious threat to the established banks in Gaza, as well as a conduit for Hamas financing. Al-Wazir said he is concerned that the Qatar Islamic Bank would offer correspondent services to INB. End Note.) Local contacts speculate that Hamas intends to disburse salaries through INB.

Banks urge against overreaction...

14. (C) Al Quds Bank Manager Azzam Shawwa told Treasury attache he urged the PMA to "quietly handle" the INB situation, as an escalating confrontation with Hamas over INB could prompt Hamas retribution against legitimate Palestinian banks in Gaza. Bank of Palestine (BoP) General Manager Hashim Shawwa called the INB "a joke," and told Econoff December 18 that Hamas just wants to establish a new

institution to improve its credibility. He said he urged al-Wazir to focus the PMA's media campaign on the fact that the bank is not legal or regulated. Shawa does not view the INB as a serious competitor, saying Gazans know political movements rise and fall, and won't put their hard-earned money in unproven institutions. Al-Wazir also said Hamas is trying to score points with the public by promoting the bank as an Islamic financial institution free from Israeli authority and restrictions, and therefore able to provide its customers with cash on demand.

...But the PMA has contingency plans in place

15. (C) Al-Wazir confirmed PMA has contingency plans in place to cut linkages between Gaza bank branches and the West Bank, should Hamas attempt to interfere in PMA oversight of the banks. Tripwires for this step would include Hamas attempts to force the banks to work with INB, or to establish its own monetary authority in Gaza. Al-Wazir said he would not hesitate to order Gaza bank branches closed if Hamas begins interfering in the formal financial sector. He said such a step would be difficult to reverse, but believes the threat of closure has so far persuaded Hamas to keep its hands off the sector. The banks also have acted to minimize their exposure in case of Hamas action. The BoP has already moved its essential operational infrastructure and technology to its Ramallah branch, according to Shawa.

Bio Note: Ala'a al-Rafati

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16. (C) Bio note: Al-Rafati was mentioned as a Hamas candidate for Minister of Economy in March 2007. According to al-Wazir, al-Rafati has lectured on economics and has served as the dean of the business school at the Islamic University in Gaza. Another board member, Abu Hamid (full name unknown) directs the land registry authority for the Hamas government in Gaza, according to al-Wazir. End bio note.

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